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SOUTH CAROLINA STATE ACCIDENT FUND



ANNUAL REPORT

1995-1996

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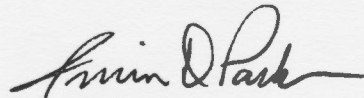
LETTER OF TRANSMITTAL

The Honorable David M. Beasley, Governor and Members of the General Assembly.

Ladies and Gentlemen:

We are pleased to submit, in accordance with the Code of Laws of South Carolina, 1976, as amended, the report of the activities of the State Accident Fund for Fiscal Year 1995-96.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Irvin D. Parker", with a long horizontal flourish extending to the right.

Irvin D. Parker

Director

State Accident Fund

December 1, 1996

SOUTH CAROLINA STATE ACCIDENT FUND

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MISSION STATEMENT:

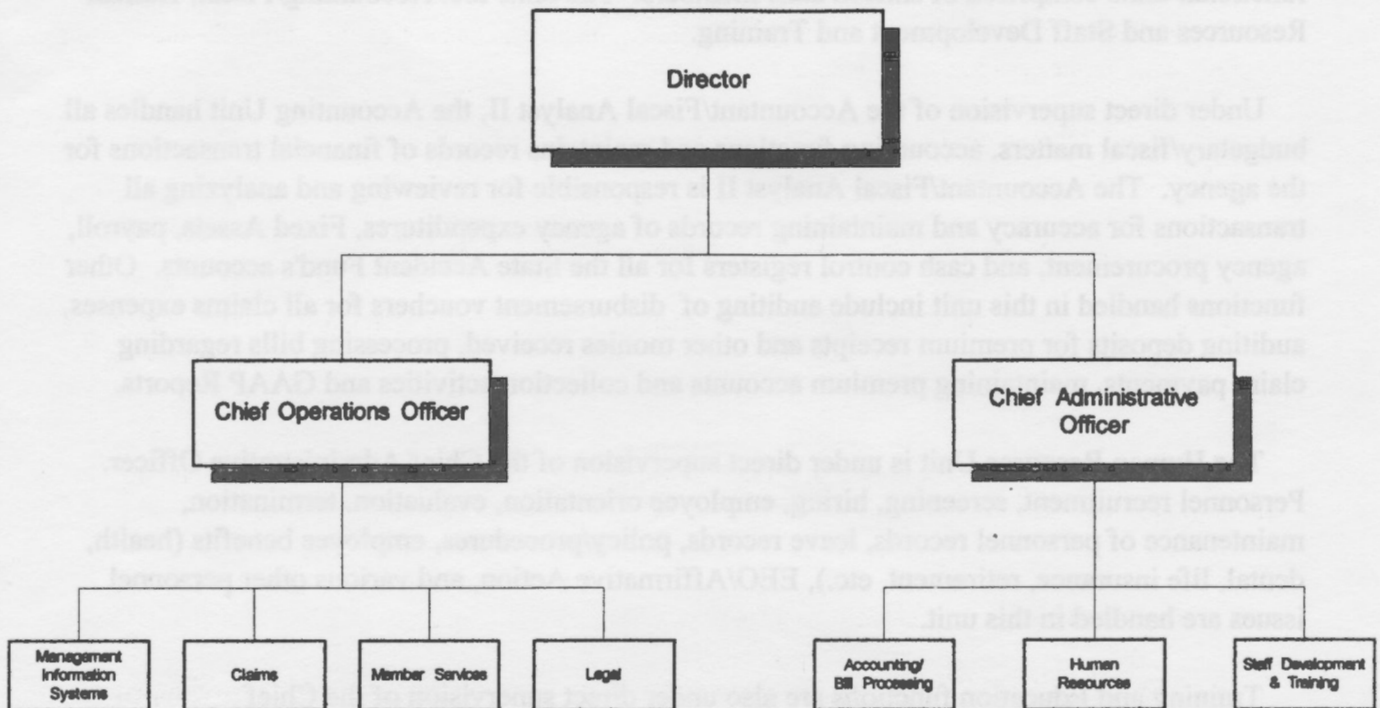
- To provide an assured workers' compensation market for the state agencies and political subdivisions, and for small business should the need arise;
- To facilitate timely rehabilitation, family income replacement and return of the injured workers to full employment;
- To assist and train employers in workplace accident and disease prevention; and,
- To ensure actuarial soundness of the fund with premium rates that are equitable and not excessive.

OBJECTIVES:

1. Institute modern methods of training on the job; institute a vigorous program of education and retraining, as envisioned in Deming's Points 6 and 13.
2. Maximize interaction and communication between staff members, functional units and between supervisors and their staffs; break down barriers.
3. Annually insure that job specs appropriately reflect SAF needs and that pay grades are competitive.
4. To launch a project team to develop a five year business plan to include a cost/benefit analysis for major facilities and equipment.
5. To institute a proactive legislative program to improve the workers' compensation system and state agency management.
6. To procure a state-of-the-art information system that will satisfy SAF's needs for current and future workers' compensation insurance to achieve significant competitive advantages in speed, flexibility, cost, quality and service.
7. To develop customer focused performance measures and review in terms of objectives and output, to include an on-going, comprehensive assessment of customer perceptions, expectations and satisfaction level.
8. To develop a process to keep customers, suppliers, public officials and the general public appropriately informed of pertinent workers' compensation and State Fund issues and developments.
9. To review organization structure, staffing levels, job functions and outsourcing opportunities to maximize efficiency and ensure cost effectiveness of all outputs.
10. Improve and standardize case management.

South Carolina State Accident Fund Organizational Chart

Fiscal Year 1995-96



ADMINISTRATION DIVISION

Headed by the Chief Administrative Officer, the Administration Division consists of three (3) functional units comprised of sixteen staff members. The units are: Accounting/Fiscal, Human Resources and Staff Development and Training.

Under direct supervision of the Accountant/Fiscal Analyst II, the Accounting Unit handles all budgetary/fiscal matters, accounting functions and maintains records of financial transactions for the agency. The Accountant/Fiscal Analyst II is responsible for reviewing and analyzing all transactions for accuracy and maintaining records of agency expenditures, Fixed Assets, payroll, agency procurement, and cash control registers for all the State Accident Fund's accounts. Other functions handled in this unit include auditing of disbursement vouchers for all claims expenses, auditing deposits for premium receipts and other monies received, processing bills regarding claim payments, maintaining premium accounts and collection activities and GAAP Reports.

The Human Resource Unit is under direct supervision of the Chief Administrative Officer. Personnel recruitment, screening, hiring, employee orientation, evaluation, termination, maintenance of personnel records, leave records, policy/procedures, employee benefits (health, dental, life insurance, retirement, etc.), EEO/Affirmative Action, and various other personnel issues are handled in this unit.

Training and Education functions are also under direct supervision of the Chief Administrative Officer. These functions include responsibility for developing, reviewing, planning, approving, and coordination of all agency programs, projects and services involving education, training and staff development efforts of all types including organizing in-service training, seminars, workshops, work retreats, conferences and other activities for the internal and external customers of the State Accident Fund.

OPERATIONS DIVISION

1. MEMBER SERVICES DEPARTMENT

The Member Services Department consists of four functional sections with 10 staff personnel under the direction of a Unit Manager who reports to the Chief Operations Officer.

Employer Relations functions are the responsibility of the sections. The four functional sections are (1) Premium Auditing; (2) Safety and Loss Prevention; (3) Third Party Subrogation and (4) Second Injury Claims Recoveries.

Employer Relations functions are the responsibility of the functional sections who are expected to be especially attuned to employer needs, concerns, wishes, and perceived problems with any aspect of the State Fund operations. Once problems are identified and verified, good customer service responses are employed to effectively communicate pertinent information to the appropriate State Fund management area. Follow-ups as appropriate are made with a view toward maximizing communication between the State Fund and its customers and expediting service problem resolution.

The Premium Auditing section maintains premium accounts, conducts payroll audits and manages premium billing activities. Reports, interviews, seminars and personal communications are utilized to keep employers informed as to the basis and method of premium determination and all related account issues.

The Safety and Loss Prevention section assists State Fund members in reducing work place injuries. This is accomplished by conducting safety surveys which identify and remove causes of accidents, through safety seminars/training and safety awareness activities for State Fund members.

The Subrogation section monitors workers' compensation claims in which a third party might be liable to the worker for his/her injuries. Under the workers compensation system, the State Accident Fund (acting on behalf of the employer) has the right to monies that may be received from a third party.

The Second Injury Claims Section monitors workers' compensation claims which might qualify for reimbursement of a portion of the claims expense from the Second Injury Fund; and processes and manages claims for such reimbursement.

The Unit Manager coordinates all of the efforts of the Division and provides technical assistance and support management for the division.

During FY 1995-96, the State Fund recovered \$6,131,693 from the Second Injury Fund.

During FY 1995-96, recoveries by the State Fund amounted to \$846,763 in Third Party action.

The Premium Receipts Statement is a yearly accounting of the receipts by State, County and Municipal participants in the State Accident Fund for each fiscal year between 1974-75 and 1995-96.

Programs operated by the Member Services Division are:

1. Premium Auditing
2. Second Injury Recovery/Third Party Recovery
3. Safety and Loss Control
4. Member Services Relations

2. CLAIMS DEPARTMENT

The State Accident Fund Claims Department consists of 52 staff members under the direct supervision of a Unit Manager who reports directly to the Chief Operations Officer.

The Claims Department is responsible for providing prompt compensation to injured workers. This compensation may take any of the following forms.

- Compensation for Lost Wages with payment within 14 days.
- Payment of Medical Expenses within 30 days.
- Referral for Medical Management
- Referral for Vocational Rehabilitation
- Compensation for Permanent Disabilities
- Compensation for Partial Disabilities
- Compensation for Total Disabilities
- Development of Cost Containment Procedures

The Claims Department is divided into 6 teams:

- Four Claims Teams generally consisting of 40 Claims staff personnel directly supervised by 4 Claims Supervisors. The primary responsibilities are acceptance/denial of all claims, payment of medical expenses, lost time wages, settlements, and referrals for medical management, vocational rehabilitation services, and claims customer service.
- An investigative team consisting of 3 staff personnel is directly supervised by an Investigative Coordinator. The primary responsibility of this team is to conduct in-depth claims investigations and handle informal conferences set by the South Carolina Workers' Compensation Commission.
- A Claims Initiation/File Retention Team consisting of 7 staff personnel and a supervisor. The primary responsibility of this team is to process incoming and outgoing mail and managing approximately 23,000 open and closed claim files. The initiation part of this team is responsible for receiving, reviewing and setting up an appropriate routing of all new claims based on "claim type."
- One Administrative Assistant to the Unit Manager is responsible for providing administrative support.

Lost wages and medical expenses are approved provided claims are compensable and proper medical documentation or necessary narrative reports have been submitted.

All initial reserves on new claims are automatically generated by a computer application program. Reserves are adjusted based on disbursements to date and potential long-term liabilities of the claim.

Claims are monitored for status and routed to appropriate personnel to request necessary information to update claims for the purpose of concluding the claim and closing the file. During FY 1994-95, 9,292 claims were filed with the State Fund; 13,009 claims were closed (Includes claims which were earlier closed and then reopened); and a total of 5,292 claims are pending.

Programs operated by the Claims Department are:

1. Payment of Lost Time
2. Medical Bill Approval
3. Investigative Services
4. Vocational Rehabilitation
5. Cost Containment
6. Claims Initiation
7. Claims Management
8. Customer Service
9. On Site Speakers/Training for Employers to explain Workers Compensation Information
10. Claims Training
11. File Retention
12. Informal Conferences

3. LEGAL DEPARTMENT

The Legal Department consists of 10 staff personnel directed by the Unit Manager who reports to the Chief Operations Officer.

The Legal Department is responsible for the management of claims litigation using a combination of in-house counsel and associate counsel (contract attorneys) from throughout the state.

The Legal Department is also responsible for providing legal advice and assistance to all units of the State Accident Fund regarding claims as well as employers covered by the Fund, regarding legal issues arising out of claims.

During FY 95-96, the Legal Unit opened 737 claims for litigation and filed 80 appeals.

4. MANAGEMENT INFORMATION SYSTEMS

Under direct supervision of the Chief Operations Officer there are two Information Resource Consultants with the Senior Information Resource Consultant functioning as manager and coordinator of the agency Local Area Vax Cluster (LAVC), and the agency Personal Computer System. Responsibilities include setting up and maintaining user accounts, user training, upgrading and trouble shooting software and hardware, researching new software, analyzing Vax system architecture for improvements, maintaining contact with hardware and software support services, contracts, system start-ups and shut-downs and maintaining daily and weekly system backups. The Senior Information Resource Consultant is also responsible for serving as PC Consultant to assist staff on personal computer applications and for coordination and preparation of the yearly Information Technology Plan.

SOUTH CAROLINA STATE ACCIDENT FUND

BALANCE SHEETS, JUNE 30, 1996

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$55,547,894
Premiums receivable, net of allowance for uncollectible accounts of \$228,062	16,913,208
Accrued interest receivable	<u>611,463</u>
Total current assets	73,072,565

FIXED ASSETS:

Computer and technical equipment	1,084,561
Office furniture and equipment	<u>323,201</u>
Total	1,407,762
Less: Accumulated depreciation	<u>445,329</u>
Fixed assets net of accumulated depreciation	962,433

Total assets	<u>\$74,034,998</u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$441,667
Accrued compensated absences and related benefits	228,384
Accrued payroll and related liabilities	244,720
Accrued premium adjustments	1,022,494
Deferred premium revenue	7,899,656
Funds held in escrow	86,537
Unpaid claims liability and claims adjustment expenses - payable within 1 year	23,471,000
Less: Amounts recoverable from the State of South Carolina	<u>(767,000)</u>
Total current liabilities	<u>32,627,458</u>

NONCURRENT LIABILITIES:

Unpaid claims liability and claims adjustment expenses - payable beyond 1 year	36,320,000
Less: Amounts recoverable from the State of South Carolina	<u>(321,000)</u>
Total noncurrent liabilities	35,999,000

Total liabilities	68,626,458
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FUND EQUITY:

Retained earnings (deficit)	<u>5,408,540</u>
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Total liabilities and fund equity	<u>\$74,034,998</u>
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SOUTH CAROLINA STATE ACCIDENT FUND

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS, FOR THE YEAR ENDED JUNE 30, 1996**

OPERATING REVENUES:

Premiums	\$36,374,669
Interest income	3,297,986
Registration fees	5,545

Total operating revenues	<u>39,678,200</u>
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OPERATING EXPENSES:

Claims expense:

Claims paid or payable, net of recoveries	26,315,885
Increase (decrease) in estimate of unpaid claims liabilities, net of expected recoveries from the State of South Carolina	<u>(5,554,000)</u>

Total claims expense	<u>20,761,885</u>
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Administrative expenses:

Second Injury Fund assessment	5,038,243
Personal services	3,025,423
Contractual-services	1,997,244
Rent and insurance	327,732
Supplies and materials	197,792
Bad debts	151,053
Depreciation	88,033
Other	<u>137,119</u>

Total administrative expenses	<u>10,962,639</u>
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Total operating expenses	<u>31,724,524</u>
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NET INCOME	<u>7,953,676</u>
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RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	<u>(2,545,136)</u>
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RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ 5,408,540</u>
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SOUTH CAROLINA STATE ACCIDENT FUND

STATEMENTS OF CASH FLOWS, FOR THE YEAR ENDED JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:

Income before operating transfer	<u>\$ 7,953,676</u>
Adjustments to reconcile net income before operating transfer to net cash provided by operating activities:	
Depreciation expense	88,033
Bad debt expense	151,053
Increase (decrease) in estimate of unpaid claims liability	(5,554,000)
Loss on disposal of capital assets	65,016
Interest income reclassified to invest	(3,297,986)
Changes in assets and liabilities:	
(Increase) decrease in premiums receivable	18,033,182
(Increase) in accrued interest receivable	(195,589)
Increase in accounts payable	371,839
Increase in accrued compensated absences and related benefits	15,560
Increase in accrued payroll and related benefits	15,699
Increase (decrease) in accrued premium adjustments	262,160
Increase (decrease) in deferred premium revenue	(9,389,320)
Increase in funds held in escrow	<u>20,991</u>
 Total adjustments	<u>589,638</u>
 Net cash provided by operating activities	8,543,314

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(678,153)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on deposits	<u>3,297,986</u>
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Net increase in cash and cash equivalents	11,163,147
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

44,384,747

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$55,547,894

SOUTH CAROLINA STATE ACCIDENT FUND

STATEMENT OF OPERATING EXPENDITURES

(In Dollars)

FOR THE YEAR ENDED JUNE 30, 1996

I. Personnel Services:		
Classified and Unclassified Positions		\$2,994,164
II. Operating Expenses		
Contractual Services	\$1,061,840	
Supplies and Materials	197,793	
Fixed Charges and Contributions	327,732	
Travel	39,432	
Equipment	<u>433,334</u>	
Total Operating Expenses		2,060,131
III. Special Item: Actuarial Services		<u>24,736</u>
Total (I, II and III)		<u>\$5,079,031</u>

SOUTH CAROLINA STATE ACCIDENT FUND

PREMIUM RECEIPTS STATEMENT
FOR THE PERIOD JUNE 1, 1974 TO JUNE 30, 1996

FISCAL YEAR	STATE	COUNTIES	CITIES	TOTALS
F75	592,094	956,041	800,320	2,348,455
F76	932,464	1,318,801	1,067,379	3,318,644
F77	944,360	2,027,019	1,339,406	4,310,785
F78	1,205,624	2,303,338	1,707,666	5,216,628
F79	1,458,921	3,235,607	1,824,972	6,519,500
F80	1,266,796	5,099,517	2,237,920	8,604,233
F81	2,064,784	3,907,895	1,897,496	7,870,175
F82	2,890,994	4,703,412	2,597,412	10,191,818
F83	4,402,657	4,684,255	2,652,273	11,739,185
F84	4,304,079	3,902,969	1,279,049	9,486,097
F85	5,617,695	2,779,891	965,845	9,363,431
F86	8,983,673	3,165,795	953,770	13,103,238
F87	10,767,804	4,247,557	1,299,790	16,315,151
F88	12,370,736	5,063,093	1,042,442	18,476,271
F89	12,478,894	5,668,295	1,370,738	19,517,927
F90	11,917,480	7,098,415	1,454,277	20,470,172
F91	18,944,826	6,834,949	1,614,374	27,394,149
F92	21,441,753	5,667,069	1,739,530	28,848,352
F93	23,630,524	4,697,456	1,999,116	30,327,096
F94	24,699,783	4,705,044	2,188,371	31,593,198

SOUTH CAROLINA STATE ACCIDENT FUND

DISBURSEMENTS STATEMENT FOR THE PERIOD JUNE 1, 1974 TO JUNE 30, 1996

FISCAL YEAR	STATE	COUNTIES	CITIES	TOTALS
F75	498,467	959,969	769,838	2,228,274
F76	867,032	1,223,395	924,846	3,015,273
F77	925,328	1,545,695	1,209,195	3,680,218
F78	1,088,948	2,005,364	1,282,627	4,376,939
F79	1,323,457	2,249,936	1,612,418	5,185,811
F80	1,211,632	2,457,973	1,484,740	5,154,345
F81	2,100,539	3,435,495	2,049,976	7,586,010
F82	2,773,357	3,954,471	1,919,392	8,647,220
F83	4,227,424	4,480,075	2,550,225	11,257,724
F84	4,171,798	4,557,397	2,805,604	11,534,799
F85	5,062,332	3,568,498	2,054,826	10,685,656
F86	5,443,395	3,696,285	1,284,768	10,424,448
F87	6,593,151	3,923,579	1,594,428	12,111,158
F88	7,646,475	4,782,304	1,456,568	13,885,347
F89	9,397,263	3,868,632	1,078,755	14,344,650
F90	12,101,288	5,664,517	1,821,261	19,587,066
F91	13,623,854	6,556,345	1,812,655	21,992,854
F92	14,217,249	5,821,217	1,733,213	21,771,679
F93	18,582,917	5,732,362	1,846,925	26,162,204
F94	23,496,688	5,793,460	1,769,754	31,059,902
F95	25,206,523	6,812,819	2,090,945	34,110,288
F96	27,352,523	6,646,519	2,325,668	36,324,710

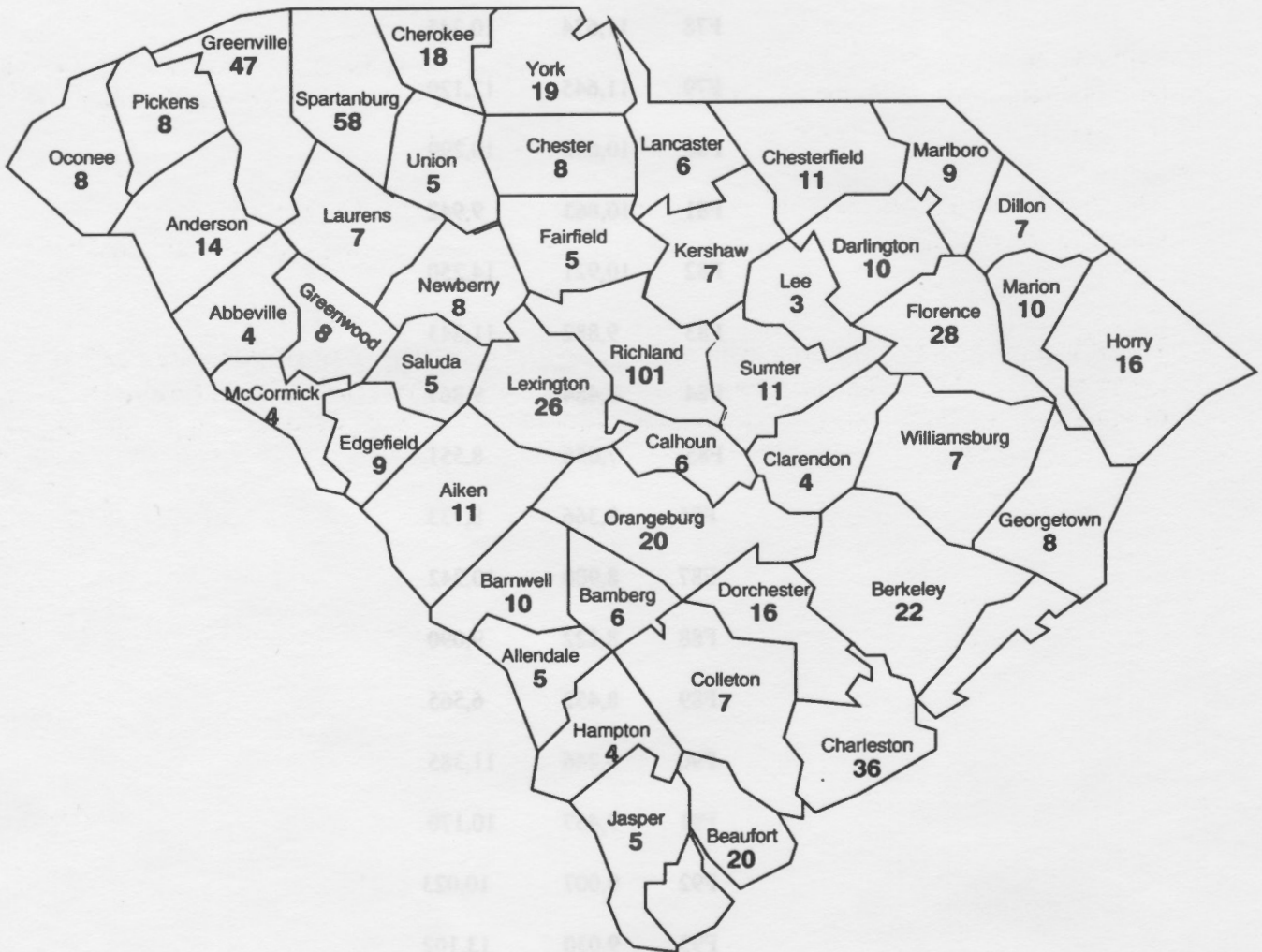
SOUTH CAROLINA STATE ACCIDENT FUND

CLAIMS OPENED AND CLAIMS CLOSED FOR THE PERIOD JUNE 1, 1974 TO JUNE 30, 1996

FISCAL YEAR	CLAIMS OPENED	CLAIMS CLOSED (Includes claims earlier closed and reopened)
F75	7,911	7,732
F76	8,900	8,704
F77	8,961	6,501
F78	11,674	10,245
F79	11,645	12,120
F80	10,632	10,299
F81	10,863	9,942
F82	10,921	14,250
F83	9,882	11,843
F84	8,484	9,867
F85	7,056	8,551
F86	8,366	8,733
F87	8,900	10,242
F88	8,222	9,090
F89	8,452	6,565
F90	9,246	11,385
F91	9,457	10,170
F92	9,007	10,023
F93	9,030	13,102
F94	10,195	13,369
F95	9,594	15,867
F96	9,292	13,009

STATE ACCIDENT FUND

Policyholders by County



INFORMATION PROCEDURE

Requests for information about the Agency by the general public may be made in writing, by telephone or personal visit to the State Accident Fund.

Individuals uncertain of who, where or how to address their problem or question to may call toll free 1-800-521-6576 and ask for the Ombudsman.

Submissions or suggestions designed to improve the operation of the State Accident Fund should be submitted in writing to the Director. Requests for information by the media or for copies of publications or materials should also be addressed to the Director.

All requests for information which require a response in the form of a legal opinion or interpretation of a statement of official policy or position of the agency must be submitted in writing.

The offices of the State Accident Fund are located at 800 Dutch Square Boulevard, Suite 160, Columbia, S. C. 29210. The mailing address of the State Accident Fund is P. O. Box 102100, Columbia, S. C. 29221-5000. The Columbia number is 737-8100 or statewide toll-free number is 1-800-521-6576.

HISTORICAL DATA

1943 The State Workers' Compensation Fund was created and continued in effect from year to year by various acts of the General Assembly as a division of the S. C. Industrial Commission.

1943 L. L. McKenzie appointed as first Director of the State Workers' Compensation Fund.

1947 The law governing the State Workers' Compensation Fund become a permanent act, and is now identified by Sections 42-7-10 through 42-7-100 of the 1976 Code of Laws of South Carolina.

1974 The State Workers' Compensation Fund was established as a separate agency. On June 30, 1975 L. L. McKenzie retired as Director of the State Workers Compensation Fund.

July 1, 1975 John W. Scott appointed as Director of the State Workers' Compensation Fund.

February 24, 1982 The State Workers' Compensation Insolvency Fund was established within the State Workers' Compensation Fund.

June 9, 1982 The S. C. Crime Victims' Compensation Fund was established within the State Workers' Compensation Fund. Jan. 1, 1983, The S. C. Crime Victims' Compensation Fund became operational.

1984 The State Victim Assistance Program was established.

1984 The Victim Bill of Rights was established providing rights to victims of crime including the Sexual Assault Program within the Victims' Compensation Fund.

1985 South Carolina Victim Assistance Network (SCVAN) is established as a state level advisory network for the State Victim Assistance Program.

September 1, 1986 John W. Scott resigns as the Director of the State Workers' Compensation Fund.

September 2, 1986 Irvin D. Parker appointed as Acting Director of the State Workers' Compensation Fund.

January, 1987 Irvin D. Parker appointed as Director of the State Workers' Compensation Fund.

July 1, 1987 General Assembly amends funding law which increases revenues for the Crime Victims fund collected from criminals through assessments and restitution.

March 14, 1988 Act No. 367 of 1988 Acts and Joint Resolutions (A&JR) allowed the Director to reduce crime victim awards on a pro rata basis when projected revenues are insufficient to pay projected awards to crime victims.

March 21, 1988 Act No. 406 of 1988 A&JR increases the maximum aggregate award payment which the Victim Compensation Fund can make from \$3000 to \$10,000 and the amount of payment for burial expenses of a crime victim from \$1000 to \$2,000.

March 21, 1988 Act No. 485 of 1988 A&JR clarifies the definition the term "victim" and expands potential benefits for victims to cover "psychic trauma" and expenses associated with treatment such as mental health counseling.

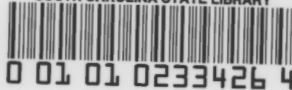
April 24, 1989 House Bill No. 3447 transfers responsibility for administering the State Workers' Compensation Insolvency Fund from the State Workers' Compensation Fund to the Second Injury Fund.

July 1, 1989 House Bill No. 3658 changed the name of the Victims' Compensation Fund to the State Office of Victim Assistance.

July 1, 1989 General Appropriations Act, Part II, Section 22 specified that all income or revenue derived from investing these (State Fund Trust Fund) funds shall accrue to the State Fund phased in over a three year period with one third accruing to the State Fund in FY 1990-91, and two thirds in 1991-92 and thereafter all income or revenue derived from investing these funds...

March 26, 1992 S. C. Guardian Ad Litem Program became affiliated as a division of the State Workers' Compensation Fund.

July 1, 1993 State Government re-structuring is enacted by the legislature, thereby renaming the State Workers' Compensation Fund as the State Accident Fund and transferring the State Office of Victim Assistance and the S. C. Guardian Ad Litem Program to Division's within the Governor's Office.



NOTES

Total Number of Documents Printed

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Cost Per Unit

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